



CALIFORNIA BOARD OF ACCOUNTANCY

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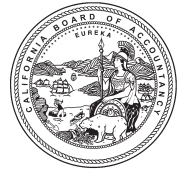


REGULATION NOTICE

October 2006

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Regulation Notice**TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY**

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Hilton San Diego Airport, 1960 Harbor Island Drive, San Diego, CA 92101 at 11:00 a.m. on December 1, 2006. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office no later than 5:00 p.m. on November 30, 2006, or must be received by the California Board of Accountancy at the hearing. If submitted at the hearing, it is requested, although not required, that 25 copies be made available for distribution to Board members and staff. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposal substantially as described below or may modify such proposal if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as the Contact Person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5018, 5027, and 5098 of the Business and Professions Code and to implement, interpret or make specific Sections 481, 5026, 5027, 5097, 5098, and 5100 of the Business and Professions Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

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INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

1. Amend Sections 68.3 and 68.4 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act, and Business and Professions Code Section 5018 authorizes the Board to prescribe rules of professional conduct.

Business and Professions Code Section 5097 establishes audit documentation requirements for licensees of the California Board of Accountancy, and Business and Professions Code Section 5098 authorizes the Board to adopt regulations related to procedures for the identification, dating, and retention of audit documentation.

Current Section 68.3 provides a start date and other requirements for the retention period for audit documentation. This proposal would change the start date for the documentation retention period from the report date to the date of issuance of the report (report release date).

Current Section 68.4 provides requirements for changes in audit documentation after issuance of the audit report. This proposal would revise Section 68.4 to specify a document assembly period after the date of issuance of the report during which audit documentation may be assembled without documentation of the changes being made. Also, this proposal would revise Section 68.4 to prohibit any removal, deletion, substitution, or editing of audit documentation after the end of the document assembly period and would require specified documentation of any additions to audit documentation that occur after the end of the document assembly period.

The objective of this proposal is to make the Board's audit documentation requirements more consistent with the requirements of the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants Auditing Standards Board.

2. Amend Sections 88, 88.1, 88.2 and 89 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5027 requires the Board to adopt regulations related to continuing education.

Current Section 88 specifies programs that qualify as continuing education. It contains no provision related to Group Internet-Based Programs (interactive continuing education delivered via a Webcast). This proposal would amend Section 88 to indicate that Group Internet-Based Programs of continuing education qualify for continuing education credit provided specified requirements are met.

Current Section 88.1 specifies requirements for continuing education providers. It contains no provision related to Group Internet-Based Programs. This proposal would revise Section 88.1 to specify requirements for providers of Group Internet-Based Programs after July 1, 2007.

Current Section 88.2 provides for program measurement for continuing education. Current Section 88.2 contains no provisions related to Group Internet-Based Programs. This proposal would revise Section 88.2 to specify program measurement requirements for Group Internet-Based Programs.

Current Section 89 relates to the control and reporting of continuing education completed for license renewal by licensees of the California Board of Accountancy. Current Section 89 contains no provision specifying that Group Internet-Based Programs are an acceptable method of study for qualifying continuing education. This proposal would revise Section 89 to include a Group Internet-Based Program as a method of study for qualifying continuing education.

The objective of this proposal is to update the Board's continuing education regulations to include provisions specific to Group Internet-Based Programs. This proposal specifies the requirements these programs must meet to be accepted as qualifying continuing education, and this proposal indicates how credit for these programs will be granted.

3. Amend Section 99 of Title 16 of the California Code of Regulations.

Business and Professions Code Section 5010 authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act, and Business and Professions Code Section 5018 authorizes the Board to prescribe rules of professional conduct. Business and Professions Code Section 481 directs boards governed by the Business and Professions Code to adopt criteria for determining whether a crime or act is substantially related to the qualifications, functions, or duties of the profession regulated by that board.

Current Section 99 specifies substantial relationship criteria for the California Board of Accountancy. This proposal would revise Section 99 to indicate that dishonesty or fraud of any kind is substantially related to the qualifications, functions, or duties of a Certified Public Accountant or Public Accountant. This proposal would also revise Section 99 to indicate that any act or crime posing a risk to the safety or welfare of a client, co-worker, or other person encountered by the licensee in his or her professional capacity is substantially related to the qualifications, functions, or duties of a Certified Public Accountant or Public Accountant.

The objective of this proposal is to update the substantial relationship criteria to improve the Board's ability to protect consumers.

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: None.

Nondiscretionary Costs/Savings to Local Agencies: None.

Local Mandate: None.

Cost to Any Local Agency or School District for Which Government Code Section 17561 Requires Reimbursement: None.

Business Impact:

The California Board of Accountancy has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies were relied upon in making that determination: None.

Impact on Jobs/New Businesses:

The California Board of Accountancy has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The California Board of Accountancy is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs: None.

EFFECT ON SMALL BUSINESS

The California Board of Accountancy has determined that the proposed regulations would affect small businesses.

CONSIDERATION OF ALTERNATIVES

The California Board of Accountancy must determine that no reasonable alternative which it considered or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The California Board of Accountancy has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file that is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared by making a written request to the contact person named below or by accessing the Web site listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed administrative action may be addressed to:

Name: Aronna Wong
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Telephone No.: (916) 561-1788
Fax No.: (916) 263-3675
E-Mail Address: awong@cba.ca.gov

The backup contact person is:

Name: Carol Sigmann
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Telephone No.: (916) 561-1718
Fax No.: (916) 263-3675
E-Mail Address: csigmann@cba.ca.gov

Inquiries concerning the substance of the proposed regulations may be directed to Aronna Wong at (916) 561-1788.

Web site access: Materials regarding this proposal can be found at www.dca.ca.gov/cba.

TEXT OF PROPOSAL

68.3 Retention Period for Audit Documentation.

- (a) The retention period mandated by Business and Professions Code Section 5097 shall be measured from the ~~report date~~ date of issuance of the report (report release date).
- (b) If audit documentation is required to be kept for longer than seven years because of a pending Board investigation or disciplinary action, audit documentation shall not be destroyed until the licensee has been notified in writing by the Board of the closure of a Board investigation or disciplinary proceeding.
- (c) Any documents required to be maintained by Business and Professions Code Section 5097 or these regulations shall be maintained in accessible form.
- (d) Audit documentation shall be retained whether or not the documentation supports the auditor's final conclusions. All audit documentation regarding any significant matter related to the audit shall be retained whether or not the documentation contains information or data inconsistent with the auditor's final conclusions. Significance of a matter shall be determined based on an objective analysis of the facts and circumstances. Audit documentation to be retained shall also include all documentation of consultations on, or resolutions of, any differences of opinion regarding the exercise of professional judgment.

NOTE: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

68.4. The Document Assembly Period and Subsequent Changes in Audit Documentation After Issuance of the Report.

- (a) Audit documentation that is not completed prior to the date of issuance of the report shall be completed during the document assembly period specified in this subsection.
- (1) The document assembly period is the 60-day period following the date of issuance of the report. If the report is not issued in connection with such an engagement, the document assembly period ends 60 days after the date that the fieldwork was completed. If the auditor was unable to complete such an engagement, then the document assembly period ends 60 days from the date the engagement ceased.
- (2) Notwithstanding the document assembly period specified in paragraph (1) of this subsection, licensees shall comply with applicable professional standards specifying a shorter document assembly period.
- (b) After the end of the document assembly period, ~~(a) Changes in audit documentation include any addition, removal, deletion, substitution, or editing of audit documentation, including, but not limited to, physical or electronic additions to any audit documentation file or preexisting audit documentation is prohibited~~ occurring after the date of issuance of the audit report which is supported in whole or in part by the audit documentation. Additions to audit documentation shall comply with the requirements in subsection (c).
- (b) Except as provided in subsection (c), in (c) In addition to any other documentation required by professional standards, any changes in addition to audit documentation after the end of the document assembly period shall include the following: 1) the reason for the addition, 2) the identity of the persons preparing and approving the addition, and 3) the date of the addition. shall provide the identity of the person(s) making the change, and identity of any person(s) approving the change, the date of the change, and the reason for the change if the reason is other than the assembling of pre-existing documents. The documentation which is changed added shall contain sufficient detail to enable a reviewer with relevant knowledge and experience, having no previous connection with the audit engagement, to understand the nature, timing, reason for, and extent of the change addition.
- (c) During a 60-day period after the date of issuance of the audit report, documents may be added to the file for the assemblage and documentation of work previously performed. (d) Nothing in this subsection section authorizes the deferral of audit procedures required to be performed prior to the date of issuance of the report.

NOTE: Authority cited: Section 5010, 5018, and 5098, Business and Professions Code. Reference: Sections 5097 and 5098, Business and Professions Code.

88. Programs Which Qualify.

(a) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his or her professional competence.

(1) Licensees who renew their licenses after July 1, 2001, shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: accounting, auditing, taxation, consulting, financial planning, professional conduct as defined in Section 87.7, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(2) Licensees who renew their licenses after July 1, 2001, may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(4) A formal program of learning is an instructional activity that meets the requirements of Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses—each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses—each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88 (a), Section 88.1, and Section 88.2.

~~(e)~~(d) Formal correspondence or other individual study programs are qualifying provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1, and Section 88.2, and the licensee receives a passing score. Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the CERTIFIED FINANCIAL PLANNER™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the above requirements.

~~(d)~~(e) The credit as an instructor, discussion leader, or speaker will be allowed for any meeting or program provided that the session is one which would meet the continuing education requirements set forth in Section 88(a), Section 88.1, and Section 88.2 The credit allowed an instructor, discussion leader, or a speaker will be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

~~(e)~~(f) Credit may be allowed by the Board for the following activities:

(1) writing published articles and books provided the publisher is not under the control of the licensee.

(2) writing instructional materials for any continuing education program which meets the requirements of

Section 88(a), Section 88.1, and Section 88.2,

(3) writing questions for the Uniform Certified Public Accountant Examination.

The maximum credit allowed under this subsection (subsection ef) shall not exceed 25 percent of the renewal period requirement.

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5027, Business and Professions Code.

88.1. Provider Requirements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) the provider of the live presentation program must:

- (1) Require attendance and retain for a period of six years a record of attendance that accurately assigns the appropriate number of contact hours for participants including those who arrive late or leave early.
- (2) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.
- (3) Issue a certificate of completion to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit reflected on the certificate of completion shall be calculated in accordance with Section 88.2(a).

(b) Group Internet-Based Program (Webcast)

In order to qualify as acceptable continuing education under Section 88(c), the provider of the Group Internet-Based Program (Webcast) must be in compliance with requirements below by July 1, 2007:

- (1) Require and monitor attendance throughout the program with log-in/log-out/password features and questions/surveys. At a minimum the program shall include three questions/surveys during the first hour of instruction and four questions/surveys each hour thereafter.
- (2) Have a live instructor while the program is being presented and a feature allowing participants to send questions/comments directly to the instructor and receive answers during the program.
- (3) Retain for a period of six years a record of attendance that accurately assigns the appropriate number of participation hours for participants.
- (4) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.
- (5) Issue a certificate of completion to each licensee upon satisfactory completion of the course. Satisfactory completion shall at a minimum require attending the whole course and responding to at least 80 percent of the questions/surveys described in Section 88.1(b)(1). Retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(b).

~~(b)~~(c) Self-Study

In order to qualify as acceptable continuing education under Section 88~~(e)~~(d), the sponsor of the self-study course must:

- (1) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.
- (2) Issue a certificate of completion to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2 ~~(b)~~(c).

NOTE: Authority cited: Section 5027, Business and Professions Code, Reference: Sections 5026 and 5027, Business and Professions Code.

88.2. Program Measurements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

- (1) Be measured in ~~50-minute~~50-minute class hours. A program must be at least one ~~50-minute~~50-minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full ~~50-minute~~50-minute class hour. For a program that is longer than one ~~50-minute~~50-minute class hour, credit shall be granted for additional ~~25-minute~~25-minute segments (one-half of a ~~50-minute~~50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.
- (2) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Group Internet-Based Program (Webcast)

In order to qualify as acceptable continuing education under Section 88(c), a Group Internet-Based Program (Webcast) must:

- (1) Be measured by actual program length in 50-minute class hours. A program must be at least one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be granted for additional 25-minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.
- (2) Meet the provider requirements for Group Internet-Based Program (Webcast) under Section 88.1(b) by July 1, 2007.

~~(b) Self-Study prior to January 23, 2004:~~

~~In order to qualify as acceptable continuing education under Section 88(c)(d) a self-study course must:~~

- ~~(1) Grant continuing education credit equal to the average completion time if the self-study course is interactive. An interactive self-study program is designed to use interactive learning methodologies that simulate a classroom learning process by employing software, other courseware, or technology-based systems that provide significant ongoing interactive feedback to the participant regarding his or her learning progress. These programs clearly define lesson objectives and manage the participant through the learning process by (1) requiring frequent participant response to questions that test for understanding of the material presented, (2) provide evaluated feedback to incorrectly answered questions, and (3) reinforcement feedback to correctly answered questions. Technology-based self-study courses do not constitute interactive self-study courses unless they meet the criteria set forth above.~~
- ~~(2) Grant continuing education credit equal to one-half of the average completion time if the self-study course is non-interactive. Any self-study course that does not meet the above criteria for interactive self-study program is deemed non-interactive.~~
- ~~(3) Require a passing score on a test given at the conclusion of the course.~~
- ~~(4) Meet the provider requirements for self-study under Section 88.1(b).~~

(c) Self-Study on or after January 23, 2004:

~~In order to qualify as acceptable continuing education under Section 88(c)(d), any self-study course completed on or after January 23, 2004, whether in electronic or paper text format, must:~~

- (1) Grant continuing education credit equal to the average completion time if the self-study course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his or her learning progress. These courses clearly define lesson objectives and manage the participant through the learning process by (A) requiring frequent participant response to questions that test for understanding of the material presented, (B) provide evaluated feedback to incorrectly answered questions, and (C) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.
- (2) Require a passing score on a test given at the conclusion of the course.
- (3) Meet the provider requirements for self-study under Section 88.1**~~(b)~~(c)**.

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

89. Control and Reporting.

(a) Upon renewal, a licensee who is required, pursuant to Section 87, to obtain continuing education must provide a written statement, signed under penalty of perjury, certifying that the requisite number of continuing education hours has been obtained. The licensee shall disclose the following information concerning courses or programs claimed as qualifying continuing education:

- (1) Course title or description
- (2) Date of completion
- (3) Name of school, firm or organization providing the course or program
- (4) Method of study, i.e., whether course or program is self-study, ~~or~~ live presentation or Group Internet-Based Program (Webcast)
- (5) Number of hours earned.

(b) If credit is claimed for completing the eight hour professional conduct and ethics course specified in Section 87.7, a licensee shall obtain and retain for six years after renewal of his or her license, a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee
- (2) Course title
- (3) Board-issued approval number for the professional conduct and ethics course completed by the licensee
- (4) School, firm or organization providing the course
- (5) Date of completion.

(c) If continuing education credit for attending a continuing education course is claimed, the licensee shall obtain and retain for four years after renewal a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee in attendance
- (2) School, firm or organization conducting course
- (3) Location of course attended
- (4) Title of course or description of content
- (5) Dates of attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.
- (6) Number of hours of actual attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.

(d) If continuing education credit is claimed for completing a self-study course, the licensee shall obtain and retain for four years after renewal a certificate of completion ~~of~~ or its equivalent disclosing the following information:

- (1) Name of licensee taking the course
- (2) School, firm, or organization providing the course
- (3) Title of course or description of contents
- (4) Date of completion
- (5) Number of hours of continued education credit granted for completing the course.

(e) If credit as an instructor, discussion leader, or speaker is claimed, the licensee shall retain for four years after renewal the following information:

- (1) School, firm or organization providing course
- (2) Location of course presented
- (3) Title of the course or description of content
- (4) Course outline
- (5) Dates and evidence of presentation
- (6) Number of hours of actual preparation time and presentation time.

(f) If credit is claimed for writing continuing education instructional materials, the following information shall be maintained for four years after renewal:

- (1) Name of the course provider or publisher
- (2) Title of the course and a description of the instructional materials
- (3) Date of completion of the instructional materials or publication date
- (4) A copy of the instructional materials
- (5) Hours claimed.

(g) If credit for published articles and books is claimed, the following information shall be maintained for four years after renewal:

- (1) Name and address of publisher
- (2) Title of publication
- (3) Brief description
- (4) Date(s) of publication
- (5) Copy of publication
- (6) Hours claimed.

(h) If credit for writing questions for the Uniform CPA Examination is claimed, the licensee shall obtain and retain for four years after renewal a letter or other statement from the American Institute of Certified Public Accountants documenting the licensee's participation and the number of hours of continuing education credit the licensee has received.

(i) The Board will solicit and verify such information on a test basis. If a licensee is found to have a deficiency, the licensee shall be so notified. Upon request, the licensee may be granted a reasonable period of time in which to correct the deficiency.

(j) A licensee who is determined by the Board at renewal not to have completed the required number of hours of qualifying continuing education shall be required to make up any deficiency. A licensee who is required to make up a deficiency shall be ineligible for active status license renewal or conversion to active status pursuant to Section 87.1 until such time as documentation to support the required hours of continuing education for license renewal has been submitted and approved by the Board.

(k) A licensee's willful making of any false or misleading statement, in writing, regarding his or her continuing education shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Section 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.

Section 99. Substantial Relationship Criteria.

For the purposes of denial, suspension, or revocation of a certificate or permit pursuant to Division 1.5 (commencing with Section 475) of the Business and Professions Code, a crime or act shall be considered to be substantially related to the qualifications, functions, or duties of a certified public accountant or public accountant if to a substantial degree it evidences present or potential unfitness of a certified public accountant or public accountant to perform the functions authorized by his or her certificate or permit in a manner consistent with the public health, safety, or welfare. Such crimes or acts shall include but not be limited to those involving the following:

- (a) ~~Fiscal dishonesty~~ Dishonesty, fraud, or breach of fiduciary responsibility of any kind;
- (b) Fraud or deceit in obtaining a certified public accountant's certificate or a public accountant's permit under Chapter 1, Division III of the Business and Professions Code;
- (c) ~~Dishonesty, fraud, or gross~~ Gross negligence in the practice of public accountancy or in the performance of bookkeeping operations described in Section 5052 of the code;
- (d) Any act or crime which evidences a present or potential risk to the safety or welfare of any client, potential client, co-worker, or any other person who may be encountered by the licensee in his or her professional capacity.
- ~~(d)(e)~~ Violation of any of the provisions of Chapter 1, Division III of the Business and Professions Code or willful violation of any rule or regulation of the board.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 481 and 5100, Business and Professions Code.

Regulation Notice

TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Hilton San Diego Airport, 1960 Harbor Island Drive, San Diego, CA 92101 at 11:10 a.m. on December 1, 2006. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office no later than 5:00 p.m. on November 30, 2006, or must be received by the California Board of Accountancy at the hearing. If submitted at the hearing, it is requested, although not required, that 25 copies be made available for distribution to Board members and staff. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposal substantially as described below or may modify such proposal if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as the Contact Person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5018, and 5096.15 of the Business and Professions Code and to implement, interpret or make specific Sections 122, 163, 5096, 5096.15 and 5134 of the Business and Professions Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Amend Section 70 of Title 16 of the California Code of Regulations.

Section 5010 of the Business and Professions Code authorizes the California Board of Accountancy to adopt regulations for the orderly administration of the Accountancy Act. Business and Professions Code Section 5096 requires a fee to be charged for practice privilege. Section 5096.15, added to the Business and Professions Code by Assembly Bill 1868 of the 2005-06 Regular Session, directs the Board to provide for a lower fee for practice privilege without an authorization to sign attest reports. Business and Professions Code Section 5134, as amended by Assembly Bill 1868 of the 2005-06 Regular Session, provides for a maximum amount for the fee for practice privilege with the authorization to sign attest reports and for a lower fee for practice privilege without authorization to sign attest reports.

Current Section 70 sets the fee for submission of a practice privilege notification at \$100. This proposal would amend Section 70 to set the fee for submission of a practice privilege notification with an authorization to sign attest reports at \$100, and would set the fee for submission of the practice privilege notification without an authorization to sign attest reports at \$50. The objective of this proposal is to comply with the legislative directive that the Board adopt regulations providing for a lower fee for practice privilege holders who do not sign attest reports.

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: In spite of reduced revenue under this proposal, it is anticipated that the revenue generated by the Practice Privilege Program will be sufficient to allow the program to continue to be self-supporting.

Nondiscretionary Costs/Savings to Local Agencies: None.

Local Mandate: None.

Cost to Any Local Agency or School District for Which Government Code Section 17561 Requires Reimbursement: None.

Business Impact:

The California Board of Accountancy has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies were relied upon in making that determination: None.

Impact on Jobs/New Businesses:

The California Board of Accountancy has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The California Board of Accountancy has made a determination that the proposed regulatory action will result in a cost savings for some practice privilege holders.

Effect on Housing Costs: None.

EFFECT ON SMALL BUSINESS

The California Board of Accountancy has determined that the proposed regulations would affect small businesses.

CONSIDERATION OF ALTERNATIVES

The California Board of Accountancy must determine that no reasonable alternative which it considered or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The California Board of Accountancy has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file that is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared by making a written request to the contact person named below or by accessing the Web site listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed administrative action may be addressed to:

Name: Aronna Wong
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Telephone No.: (916) 561-1788
Fax No.: (916) 263-3675
E-Mail Address: awong@cba.ca.gov

The backup contact person is:

Name: Carol Sigmann
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Telephone No.: (916) 561-1718
Fax No.: (916) 263-3675
E-Mail Address: csigmann@cba.ca.gov

Inquiries concerning the substance of the proposed regulations may be directed to Aronna Wong at (916) 561-1788.

Web site access: Materials regarding this proposal can be found at www.dca.ca.gov/cba.

TEXT OF PROPOSAL

70. Fees.

(a) Commencing January 23, 2004, the fee to be charged each California applicant for the computer-based Uniform Certified Public Accountant Examination; shall be an application fee of \$100 for issuance of the Authorization to Test to first-time applicants and an application fee of \$50 for issuance of the Authorization to Test to repeat applicants.

(b) Commencing July 1, 2001, the fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200.

(e) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h) ~~(1) Commencing January 1, 2006 the~~ The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.

(2) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.

NOTE: Authority cited: Section 5010 and 5018, Business and Professions Code. Reference: Sections 122, 163, 5096, 5096.15, and 5134 Business and Professions Code.

Future Meetings

October 23, 2006

**Board-Sponsored Free CE for Licensees:
Accounting & Accountability:
A Forum on Ethics and
Professional Responsibility**

*San Francisco, Los Angeles,
Live Webcast*

October 25, 2006

Qualifications Committee

Southern California

November 2, 2006

Administrative Committee

Burbank

November 30-December 1, 2006

**Board Meeting
Regulation Hearing (December 1)**

*Hilton San Diego Airport
1960 Harbor Island Drive
San Diego, California 92101*

January 10, 2007

Qualifications Committee

Northern California

January 18-19, 2007

Board Meeting

San Francisco

February 8, 2007

Administrative Committee

Oakland

March 22-23, 2007

Board Meeting

Los Angeles

May 3, 2007

Administrative Committee

Burbank

May 10-11, 2007

Board Meeting

Sacramento

July 19-20, 2007

Board Meeting

Los Angeles

August 23, 2007

Administrative Committee

Sacramento

September 27-28, 2007

Board Meeting

San Diego

Board meetings, including regulation hearings, as well as committee and task force meetings are open to the public unless otherwise indicated. Licensees are encouraged to attend.

As meeting locations become known, they will be posted on the Board's Web site at www.dca.ca.gov/cba and also are available by telephoning the Board's office at (916) 263-3680.

Public notices and agendas are posted to the Web site at least 10 days prior to meetings.

ADDRESS CHANGE FORM

A separate address change form must be submitted for each license type.

PLEASE PRINT

Name of Applicant for Licensure

Last	First	Middle

Name of Licensee

Individual (CPA/PA) - License No. _____

Last	First	Middle

Name of Firm

☐ Corporation ☐ Partnership ☐ Fictitious Name License No. _____

Firm Name

NEW Address of Record (An Address of Record is Required)

Be advised that if you are a licensed CPA/PA or firm, your address of record is public information, and all Board correspondence will be sent to this address.

☐ Home ☐ Business (check one)

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Business Name (if different from name above)

--

Street ☐ Apt. # ☐ Suite # (check one)

--	--	--

City State Zip

Former Address of Record

--

Street ☐ Apt. # ☐ Suite # (check one)

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City State Zip

Alternate Address for Mail Drops and PO Boxes

If your address of record is a PO Box or Mail Drop, you are required to provide a street address. This address will not be posted on the Board's Web License Lookup.

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Street ☐ Home ☐ Business (check one) ☐ Apt. # ☐ Suite # (check one)

--	--	--

City State Zip

Daytime Phone Number

-	-
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Area Code

You may confirm your change of address on license lookup at www.dca.ca.gov/cba.

I certify the truth and accuracy of all of these statements and representations.

Signature _____ Date _____

Print your name _____

A licensee who fails to notify the California Board of Accountancy within 30 days of a change of address of record may be subject to citation and fine (fines ranging from \$100-\$1000) under the California Code of Regulations, Title 16, Division 1, Sections 3 and 95.2.

The Board maintains a list of all licensees. This list is ☐ sold to requestors for mailing list purposes. Check here only if you do not want your name included on this list. Please Note: Your name and address of record is public information and can be accessed through our Web site at www.dca.ca.gov/cba.

Mail to: California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA 95815-3832
or **FAX to:** (916) 263-3675

California Board of Accountancy Directory

Board Office (Main Number) (916) 263-3680
Board Office Facsimile (916) 263-3675
License Status Check (916) 263-3680
..... www.dca.ca.gov/cba
General Examination Questions examinfo@cba.ca.gov
..... (916) 561-1703
..... Facsimile (916) 263-3677 or (916) 614-3253
Enforcement Information and Questions enforcementinfo@cba.ca.gov
..... (916) 561-1729
..... Facsimile (916) 263-3673
Certifications (916) 561-1701
Initial Licensing — Individual: licensinginfo@cba.ca.gov
..... fingerprinting@cba.ca.gov
..... (916) 561-1701
..... Facsimile (916) 263-3676
Initial Licensing — Partnerships, Corporations, Fictitious Names:
..... firminfo@cba.ca.gov
..... (916) 561-1701
..... Facsimile (916) 263-3676
Renewal for CPA/PA, Partnerships, Corporations, Continuing Education:
..... renewalinfo@cba.ca.gov
..... (916) 561-1702
..... Facsimile (916) 263-3672
Web Site Address www.dca.ca.gov/cba
Web Page Master pagemaster@cba.ca.gov
General Inquiries editor@cba.ca.gov

Address Service Requested

Department of Consumer Affairs
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832
(916) 263-3680
www.dca.ca.gov/cba

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